

Department of Social and Health Services

DP Code/Title: M2-HE MMIS Reprocurement

Program Level - 080 Medical Assistance

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

The department is requesting funds to reprocure the Medicaid Management Information System (MMIS) contract. The MMIS contract provides for the operation, maintenance, and enhancements for the Department of Social and Health Services (DSHS) Medicaid programs with provider payments and related reporting totaling over \$3 billion per year. The Information Services Board (ISB) supports this contract reprocurement effort. The current contract expires December 31, 2004. Funds requested will support the implementation of a new MMIS contract with existing functionality, third-party quality assurance oversight, legal counsel for contract development, and funding for a feasibility study to continue development of a long-term MMIS strategy to meet business payment and reporting needs.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 080			
001-1 General Fund - Basic Account-State	739,000	1,162,000	1,901,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	6,647,000	10,458,000	17,105,000
Total Cost	7,386,000	11,620,000	19,006,000

Staffing

Package Description:

The current MMIS contract supports the operation and staffing necessary to administer Washington's Medicaid state plan at an annual cost of approximately \$6.6 million. Current contractor responsibilities include MMIS operations and technical support, maintenance, and required enhancements. In the current environment, contracted staff work cooperatively with state staff to operate MMIS efficiently and economically. The current contract expires December 31, 2004.

At the direction of the DSHS Secretary, and with concurrence from the ISB, the department is seeking to reprocure the existing contract, with the newly procured contract taking effect upon expiration of the current contract. The reprocured contract will be implemented using a phased approach that accommodates the changes required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Funding is necessary to execute the reprocurement effort in both Fiscal Year 2003 and in the 2003-05 Biennium. Funding required for Fiscal Year 2003 includes project management and a feasibility study. The funding required for 2003-05 will support the following activities:

- Third-party quality assurance oversight;
- RFP and contract development, including legal counsel;
- Development of a feasibility study for future operation of MMIS and related systems and for ultimate replacement of the system; and
- Contract costs that exceed the maintenance level funding for MMIS activities, including vendor transition costs and the cost of the reprocured contract.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This proposal best fits with Medical Assistance Administration goal 4 - Strengthen information and fiscal monitoring systems to better manage programs.

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Performance Measure Detail

Program: 080

Goal: 07H Improve systems supporting client access to quality health services.

Incremental Changes
FY 1

FY 2

No measures submitted for package

Reason for change:

The ISB and DSHS Executive Management have identified that the MMIS system must be subject to competitive procurement to ensure that Washington is receiving the best service for the funding required to operate the system. Conducting a procurement now will ensure the continued operation of MMIS, while allowing DSHS to begin re-configuration of MMIS to better meet today's system needs. DSHS will also gain better access to data resources at a time when identifying and researching Medicaid spending trends is paramount for effective management of the program.

Impact on clients and services:

If DSHS begins work as proposed in this decision package and in the 2003 Supplemental Budget request, it is expected that there will be no impact on clients or services due to this change.

Impact on other state programs:

Any program that processes claims or other transactions through MMIS will be affected. This includes Mental Health, Division of Developmental Disabilities, Aging and Adult Services Administration, and Division of Alcohol and Substance Abuse. All programs that rely on MMIS for processing or data will be required to participate in the transition analysis, testing, and parallel operation.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

Alternatives to reprocurement that were explored include:

1. Total replacement - This option would entirely replace MMIS with a different system. This option cannot be implemented within the time available before expiration of the current contract. The time needed for implementation of this option is estimated at five to seven years, and is complicated by HIPAA implementation, and the overall complexity of the MMIS system.
2. Extend existing contract - This option would continue with the current vendor and contract, without competitive procurement. The current vendor contract has been extended for many years. State procurement law and requirements of the ISB and DSHS Executive Management prohibit this option.
3. Determine long-term direction with a feasibility study - This option would conduct a feasibility study of changes necessary to MMIS to meet the short- and long-term business needs of the state's Medicaid program. While it is necessary for this activity to be completed, Washington State cannot wait until the study is complete before making any decisions about the future of MMIS. This request proposes completion of a short-term feasibility study in Fiscal Year 2003 to guide

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reprocurement efforts, and a long-term feasibility study in 2003-05 to guide the state in re-developing MMIS for the future.

4. Reprocure contract - This option would develop an RFP to re-procure the current MMIS operation. Reprocurement may involve acquiring some enhancements related to improved modularity of services, or it may involve simply reprocurring the same system. Reprocuring the same system at its current level without making an incremental step towards a more flexible MMIS (thereby moving us toward the future of MMIS) would not gain the state anything from a large and expensive activity. The results of the feasibility study will directly influence the scope of the re-procurement RFP.

Alternative chosen for this proposal:

It has been determined by the department that a combination of concurrently conducting a feasibility study to determine the long-term direction of MMIS and reprocurring the existing contract offers the state the best solution.

Reprocurement will include acquiring some enhancements to the existing system, so it will meet the requirements of state law, and procurement rules, and DSHS can begin the process of identifying a future direction for the system. Reprocurement is also necessary to allow the opportunity to adjust the contractual relationship between DSHS and the successful contractor and will enable redirecting resources to meet current business needs. This strategy also builds upon the investments already made in data accessibility and those that are imminent with the HIPAA implementation.

The long-term feasibility study will give the state a clear understanding of the preferred direction for future MMIS development. The current system was installed in Washington in 1984 and built off a 1979 Iowa system written in COBOL. The system's long-term viability must be carefully examined to ensure that business needs of the state continue to be met in the future.

Budget impacts in future biennia:

When biennialized, the cost of the contract over current level will be approximately four times the amount in this proposal once fully implemented. (Only six months of the new contract will occur in the 2003-05 Biennium.)

Distinction between one-time and ongoing costs:

The feasibility study, contract development legal assistance, and third-party quality assurance costs are one-time. The cost of the new contract over the current level is ongoing.

Effects of non-funding:

At the worst, the state could risk losing the contract for operation of the MMIS system. MMIS is a requirement of participation in Medicaid, so loss of the contract for operation of the system would put Medicaid funding at risk. MMIS pays over \$3 billion annually to thousands of providers for health care services to clients in need.

Alternatively, the state would continue the practice of extending the current contract for MMIS operation and lose the ability to re-examine the system for better functionality, reporting, and operation. The opportunity for improving the system for long-term functioning would be lost.

Expenditure Calculations and Assumptions:

See attachment - MAA M2-HE MMIS Reprourement.xls

<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 080 Objects			
E Goods And Services	7,386,000	11,620,000	19,006,000

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DSHS Source Code Detail

Program 080		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	739,000	1,162,000	1,901,000
<i>Total for Fund 001-1</i>		739,000	1,162,000	1,901,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
<u>Sources</u>	<u>Title</u>			
19UD	Title XIX Admin (90%)	6,647,000	10,458,000	17,105,000
<i>Total for Fund 001-C</i>		6,647,000	10,458,000	17,105,000
Total Program 080		7,386,000	11,620,000	19,006,000